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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

Arizona Corporation Commission

DOCKETED

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DOCKETED BY

DOUG LITTLE – Chairman
BOB STUMP
BOB BURNS
TOM FORESE
ANDY TOBIN

IN THE MATTER OF THE APPLICATION OF
GONZALEZ UTILITY SERVICES, LLC FOR
APPROVAL OF THE PURCHASE OF ASSETS
AND TRANSFER OF CERTIFICATE OF
CONVENIENCE AND NECESSITY FROM
CARTER WATER COMPANY.

DOCKET NOS. W-02721A-15-0328
W-20940A-15-0328

DECISION NO. 75521

OPINION AND ORDER

DATE OF HEARING: February 4, 2016
PLACE OF HEARING: Phoenix, Arizona
ADMINISTRATIVE LAW JUDGE: Scott M. Hesla
APPEARANCES: Ms. Carol Gonzalez, on behalf of Gonzalez Utility Services, LLC; and
Mr. Matthew Laudone, Staff Attorney, Legal Division, on behalf of the Utilities Division of the Arizona Corporation Commission.

BY THE COMMISSION:

* * * * *

Having considered the entire record herein and being fully advised in the premises, the Commission finds, concludes, and orders that:

FINDINGS OF FACT**Procedural History**

1. On September 15, 2015, Gonzalez Utility Services, LLC (“Gonzalez Utility” or “Company”) filed with the Arizona Corporation Commission (“Commission”) an application for approval of the purchase of assets and transfer of Certificate of Convenience and Necessity (“CC&N”) from Carter Water Company (“Carter Water”).

2. On October 13, 2015, the Company filed an affidavit of publication verifying that notice of the application was published in the *Coolidge Examiner* on September 30, 2015.

3. On October 15, 2015, the Commission's Utilities Division Staff ("Staff") filed an Insufficiency Letter indicating that the application did not meet the sufficiency requirements outlined in the Arizona Administrative Code ("A.A.C") R14-2-402.

4. On November 5, 2015, the Company filed an amendment to the application.

5. On November 18, 2015, Staff filed a Sufficiency Letter stating that the application, as amended, had met the sufficiency requirements outlined in A.A.C. R14-2-402.

6. On November 25, 2015, a Procedural Order was issued setting this matter for hearing and establishing various other procedural requirements.

7. On January 14, 2016, Staff filed its Staff Report recommending approval of the application, subject to certain conditions.

8. On February 4, 2016, a full public hearing was held as scheduled, with Gonzalez Utility appearing through its owner, Ms. Carol Gonzalez, and Staff appearing through counsel. At the conclusion of the hearing, the matter was taken under advisement pending the submission of a Recommended Opinion and Order for the Commission's final disposition.

Application

9. Gonzalez Utility is an Arizona public service corporation owned and operated by Ms. Carol Gonzalez.¹ Gonzalez Utility consists of two independent water systems located in the town of Marana, Pima County, Arizona, and the city of Safford, Graham County, Arizona.² Gonzalez Utility provides water utility service to approximately 165 total customers.³

10. Carter Water is an Arizona public service corporation owned and operated by Mr. Gene Carter.⁴ Pursuant to authority granted by the Commission in Decision No. 59742 (July 17, 1996), Carter Water provides water utility service to eleven (11) customers in a certificated area covering approximately 148 acres in Coolidge, Arizona. Carter Water's current rates and charges for water utility service were authorized in Decision No. 59742.⁵

11. The Carter Water system consists of one well capable of producing approximately 20

¹ Ms. Gonzalez is a Certified Operator with the Arizona Department of Environmental Quality (Tr. at 11).

² Tr. at 10-11.

³ *Id.* at 11-12.

⁴ Exh. A-1; Exh. S-1.

⁵ Carter Water charges a flat rate of \$20.00 per month per customer, regardless of water usage.

1 gallons per minute (“GPM”); one storage tank; and a distribution system.⁶

2 12. Water use information is not available for Carter Water. Staff therefore recommends
3 that Gonzalez Utility monitor the water system and document the number of gallons pumped and sold
4 to determine the non-account water for one full year.⁷

5 13. The Carter Water system is not monitored or regulated by the Arizona Department of
6 Environmental Quality (“ADEQ”) or the Arizona Department of Water Resources (“ADWR”) due to
7 the small size of the system.

8 14. Staff’s Consumer Services database shows two complaints filed against Carter Water
9 concerning interruptions in water service during the last three years. According to Staff, both
10 complaints have been resolved and closed.⁸

11 15. Staff’s Compliance Section database shows no outstanding compliance issues for Carter
12 Water.⁹

13 16. On April 15, 2014, Gonzalez Utility and Carter Water entered into a purchase agreement
14 under which Gonzalez Utility will acquire Carter Water’s water utility assets and CC&N. The purchase
15 price of the assets and CC&N is \$10.00.¹⁰

16 17. According to the application, Carter Water has no customer deposit refund obligations
17 or main line extension agreements, and no other utility will be affected by the proposed transaction.¹¹

18 18. Staff reviewed the application and concluded that Gonzalez Utility has the financial,
19 technical, and managerial capabilities to own and operate a public utility water system. According to
20 Staff, approval of the proposed sale and transfer would serve the public interest.¹²

21 **Staff’s Recommendations**

22 19. Staff recommends approval of the application, subject to the following conditions:

- 23 • That Gonzalez Utility Services, LLC monitor its water system and record the gallons
24 pumped and sold to determine the non-account water for one full year. The Company

25 ⁶ Exh. S-1.

26 ⁷ *Id.*

27 ⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.*

¹¹ Exh. A-1; Exh. S-1.

¹² Exh. S-1.

1 should coordinate when it reads the well meter each month with the customer billing so
 2 that an accurate accounting is determined. The results of this monitoring and reporting
 3 shall be filed with Docket Control, as a compliance item in this docket, within 13 months
 4 of the effective date of this Decision.

- 5 • If the reported water loss is greater than 10 percent, Gonzalez Utility shall prepare a
 6 report containing a detailed analysis and plan to reduce the water loss to 10 percent or
 7 less. If Gonzalez Utility believes it is not cost effective to reduce the water loss to less
 8 than 10 percent, it should submit a detailed cost benefit analysis to support its opinion.
 9 In no case shall the Company allow water loss to be greater than 15 percent. The water
 10 loss reduction report or the detailed analysis, whichever is submitted, shall be filed with
 11 Docket Control, as a compliance item in this docket, within 13 months of the effective
 12 date of this Decision.¹³

13 20. Ms. Gonzalez testified that the Company is in agreement with Staff's recommended
 14 conditions.¹⁴

15 21. We find that it is in the public interest to approve the application, as recommended by
 16 Staff.

17 CONCLUSIONS OF LAW

18 1. Gonzalez Utility Services, LLC and Carter Water Company are public service
 19 corporations within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-281, 40-
 20 282, and 40-285.

21 2. The Commission has jurisdiction over Gonzalez Utility Services, LLC and Carter Water
 22 Company and the subject matter of the application.

23 3. Notice of this matter was provided in accordance with the law.

24 4. There is a continuing need for the provision of water utility service in the certificated
 25 service area of Carter Water Company.

26 5. Gonzalez Utility Services, LLC is a fit and proper entity to receive the assets and
 27

28 ¹³ Exh. S-1.

¹⁴ Tr. at 9-10.

1 certificated area of Carter Water Company.

2 6. It is in the public interest to approve the application, as recommended by Staff.

3 **ORDER**

4 IT IS THEREFORE ORDERED that the application of Gonzalez Utility Services, LLC for
5 approval of the purchase of assets and transfer of Certificate of Convenience and Necessity from Carter
6 Water Company is hereby approved, as discussed herein.

7 IT IS FURTHER ORDERED that Carter Water Company is hereby authorized to transfer all
8 of its water utility assets and Certificate of Convenience and Necessity to Gonzalez Utility Services,
9 LLC.

10 IT IS FURTHER ORDERED that Gonzalez Utility Services, LLC shall continue to charge
11 water customers in the certificated service area of Carter Water Company their existing rates and
12 charges until further order of the Commission.

13 IT IS FURTHER ORDERED that Gonzalez Utility Services, LLC shall continue to comply
14 with all Commission decisions and outstanding compliance items previously required of Carter Water
15 Company.

16 IT IS FURTHER ORDERED that Gonzalez Utility Services, LLC shall file with Docket
17 Control, as a compliance item in this docket, within thirteen (13) months of the effective date of this
18 Decision, a report documenting the number of gallons of pumped and sold to determine the non-account
19 water for the period of one full year. Gonzalez Utility Services, LLC should coordinate when it reads
20 the well meter each month with the customer billing so that an accurate accounting is determined.

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IT IS FURTHER ORDERED that if the reported water loss is greater than ten (10) percent, Gonzalez Utility Services, LLC shall prepare a report containing a detailed analysis and plan to reduce the water loss to ten (10) percent or less. If the Company believes it is not cost effective to reduce the water loss to less than ten (10) percent, it should submit a detailed cost benefit analysis to support its opinion. In no case shall the Company allow water loss to be greater than fifteen (15) percent. The water loss reduction report or the detailed analysis, whichever is submitted, shall be filed with Docket Control, as a compliance item in this docket, within thirteen (13) months of the effective date of this Decision.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

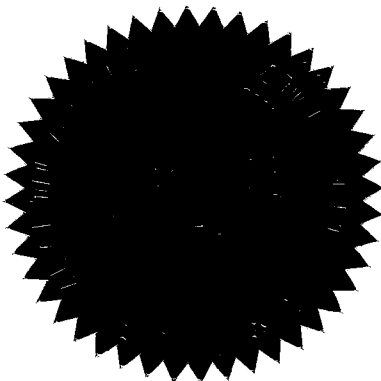
OB Litt
CHAIRMAN

EXCUSED
COMM. STUMP

Thoforese
COMMISSIONER

LeM. Tol
COMMISSIONER

Paul J. Baum
COMMISSIONER



IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 22nd day of April 2016.

Jodi A. Jerich
JODI JERICH
EXECUTIVE DIRECTOR

DISSENT _____

DISSENT _____
SMH:rt

1 SERVICE LIST FOR:

GONZALEZ UTILITY SERVICES, LLC AND
CARTER WATER COMPANY

2 DOCKET NOS.:

W-02721A-15-0328 AND W-20940A-15-0328

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4 Carol Gonzalez
GONZALEZ UTILITY SERVICES, LLC
5 P.O. Box 86205
Phoenix, AZ 85080

6 Gene Carter
7 CARTER WATER COMPANY
3951 N. Wheeler Road
8 Coolidge, AZ 85728

9 Janice Alward, Chief Counsel
Legal Division
10 ARIZONA CORPORATION COMMISSION
1200 West Washington Street
11 Phoenix, AZ 85007

12 Thomas Broderick, Director
Utilities Division
13 ARIZONA CORPORATION COMMISSION
1200 West Washington Street
14 Phoenix, AZ 85007

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